

Welcome to the August edition of the Edinburgh Economy Watch – a monthly update on the performance of the city’s economy produced by the Economic Development Unit of the City of Edinburgh Council.



What is it?

The Economy Watch allows readers to track the impact that the current global and national economic conditions are having on the capital through monitoring a selection of economic indicators and comparing these with other cities. Information is displayed in graphs with some brief analysis. Only monthly-updated indicators are used so that the latest trends can be clearly viewed. Data is displayed for up to 18 months in the past where possible.

Comparator Cities

Some of the statistics benchmark Edinburgh against an average of selected comparator cities. The comparator cities are Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, London, Manchester, Newcastle, Norwich and Nottingham. These cities have been chosen as they represent a diverse range of mid-sized and large UK cities.

Traffic Lights

Where possible, each indicator’s performance is assessed by means of a “traffic light” system comparing it against the previous month, year and comparator cities. Green signifies improvement, amber relative stability and red worsening.

Survey

We would be grateful to hear views on the Economy Watch via our [online survey](#).

Mailing List

To subscribe to Economy Watch send an e-mail to David Hanna at economicstrategy@edinburgh.gov.uk with “SUBSCRIBE” in the subject line.

At a Glance...

Indicator	Annual Trend	Monthly Trend	Relative to Other Cities	Change on last month	More info
Housing	↓	↑	↑	House prices up 4.2% House sales up 19.4%	Page 2
Planning and development	↓	↔	No data	Planning applications received up 31.1% Building warrants issued down 7.7%	Page 4
City centre performance	↓	↑	↔	City centre footfall up 11.0%	Page 5
Tourism	↑	↑	↑	Airport passenger numbers up 9.7% Hotel room occupancy up 4% points	Page 6
Labour market	↓	↓	↑	Claimant count up 3.0% Vacancies down 4.6%	Page 7
Investment	↔	↓	↔	New incorporations down 17.5% Business Gateway start-ups down 17.5%	Page 9

Economic Action Resilience Network

The 'Building a Stronger Economy' logo, which appears in this issue, refers to the Economic Action Resilience Network (EARN), which was formed earlier this year. EARN is led by the City of Edinburgh Council and comprises a number of public sector organisations and private sector partners who are working together to publicise and improve access to services to support businesses and individuals. More information can be found at www.edinburgh.gov.uk/buildingoureconomy.

Did you know?

You can access current and archive issues of the Economy Watch at www.edinburgh.gov.uk/economicdata

(1) Housing market

1.1 House Prices (Monthly trend ▲; Annual Trend ▼; Relative to Comparator Cities ▲)

The average house price in Edinburgh rose by £8,425 from May to June to reach £205,021. House prices have now risen for four consecutive months and are now at a similar level to October 2008. Prices in comparator cities rose for the first time since May 2008 and now stand at an average of £117,761.¹

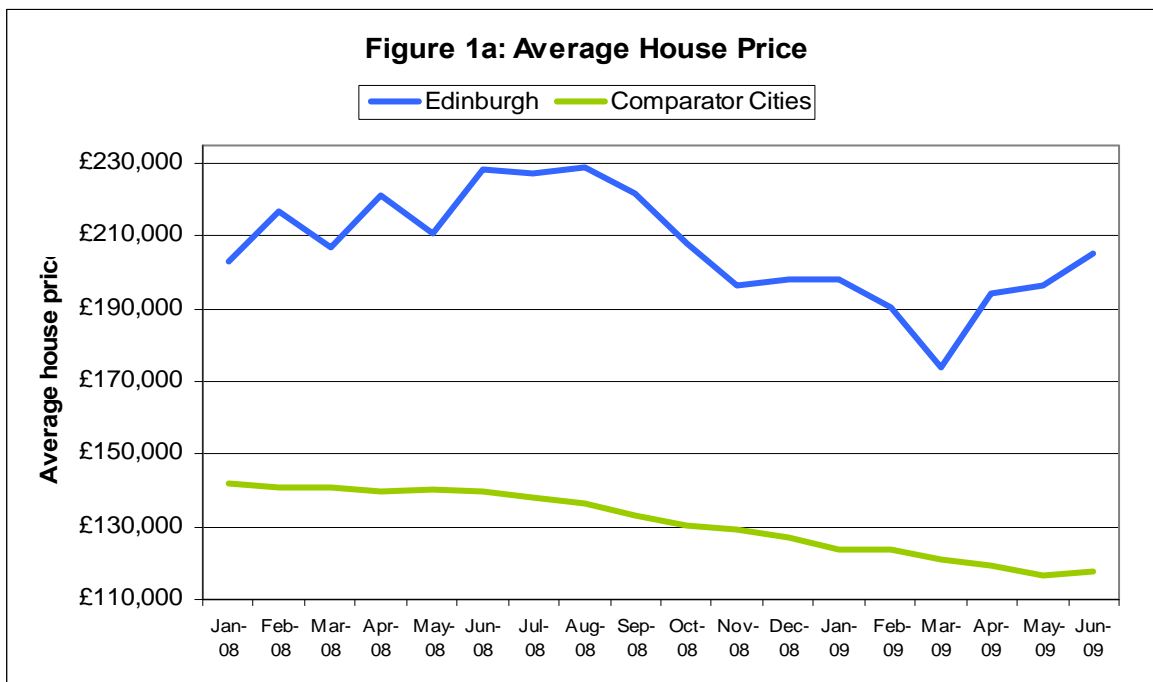
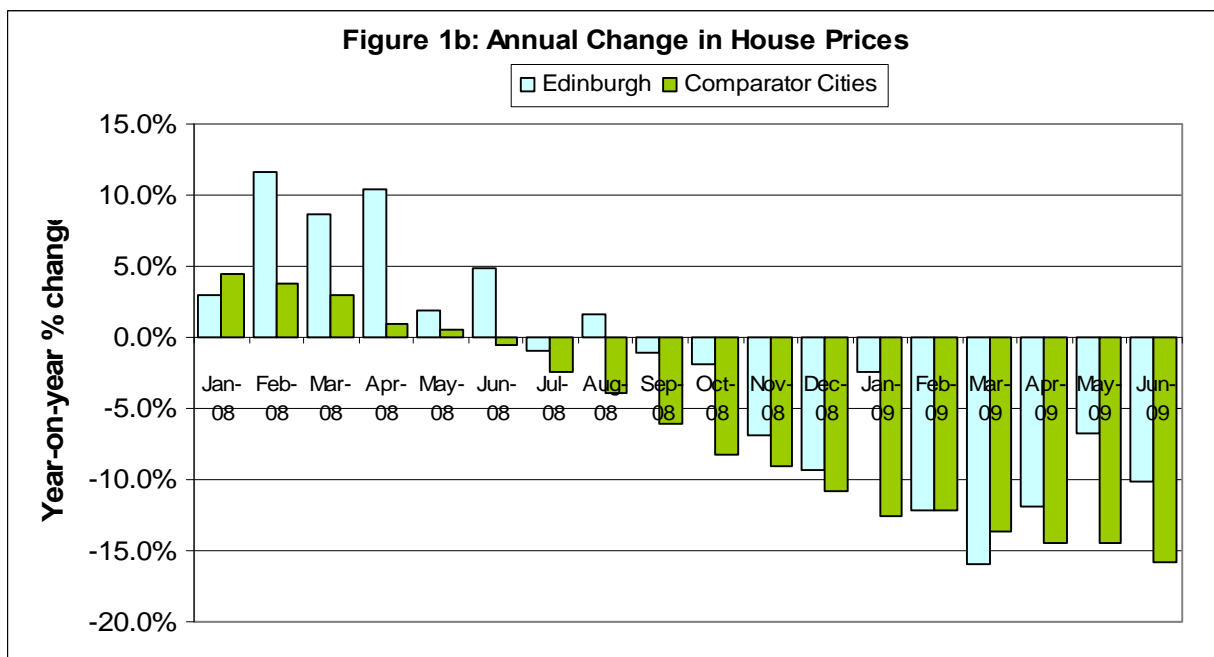


Figure 1b shows the annual change in house prices. Prices are down on last year, but by less than in comparator cities. This is especially positive as Edinburgh's house prices peaked in the summer of last year, while those of comparator cities peaked in December 2007. In June 2009, house prices were 10.1% lower than in June 2008, compared with an average of 15.8% in comparator cities.²

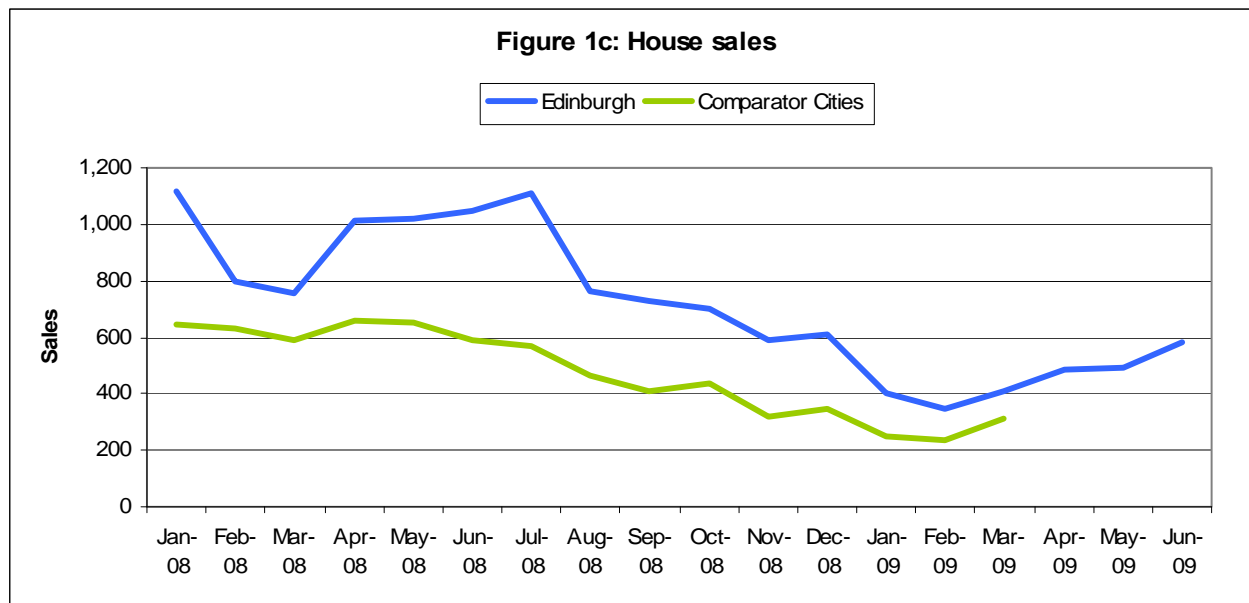


¹ Source: Registers of Scotland (Scottish cities); Land Registry (English & Welsh cities). The comparator cities figure is an average of year-on-year changes in house prices in Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle and Nottingham.

² Ibid

1.2 House Sales (Monthly trend ▲; Annual trend ▼; Relative to Comparator Cities ▲)

With 585 homes sold in Edinburgh in June, house sales have risen for four consecutive months. However, compared with last year, the number of sales remains significantly down, with 44.0% fewer sales than in June 2008.³



1.3 Forecast

House prices and sales have recovered in recent months but still remain down on a year ago. The Nationwide building society recently stated that a key factor in lifting prices was "the exceptionally low level of interest rates".⁴ Additionally, the rise in house sales may be an indication of the market's recovery but the added supply may also stem any price increases. Until interest rates start to rise again as the wider economy recovers, it is too early to determine if the recovery of the past few months can be sustained.

For further information about Edinburgh's housing market, see the latest [Housing Monitoring Report](#).

³ Ibid

⁴ <http://news.bbc.co.uk/1/hi/business/8223540.stm>

(2) Planning and development

2.1 Building Warrants & Planning Applications (Monthly Trend: applications received —; warrants issued ▲; Annual Trend: both ▼)

Fig 2a shows that the number of building warrants issued and planning applications received⁵ followed seasonal trends, but remains lower than during last summer.⁶

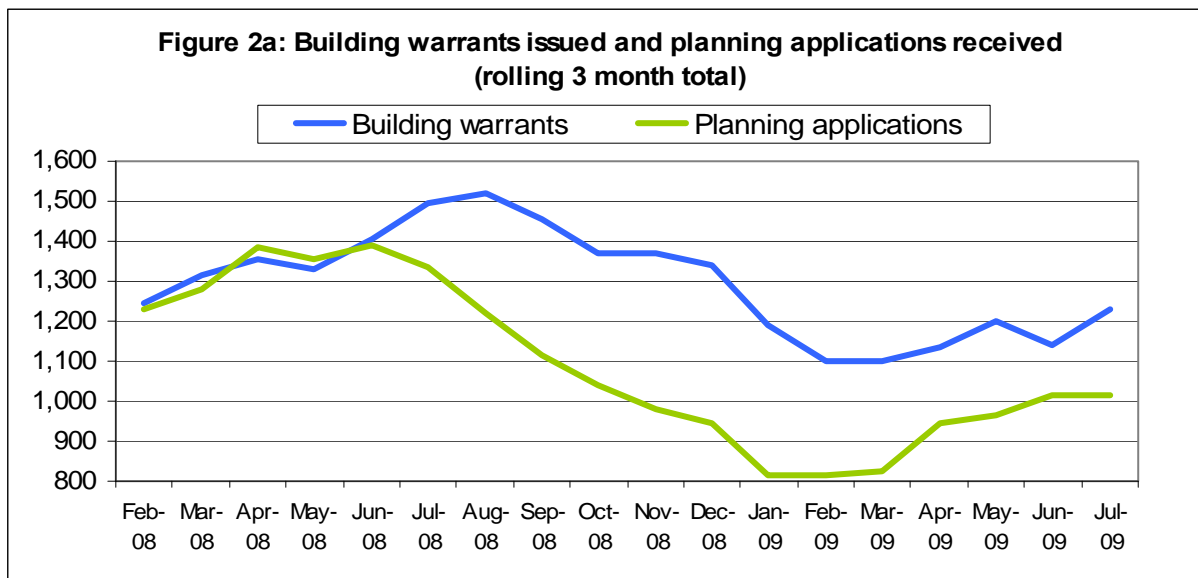
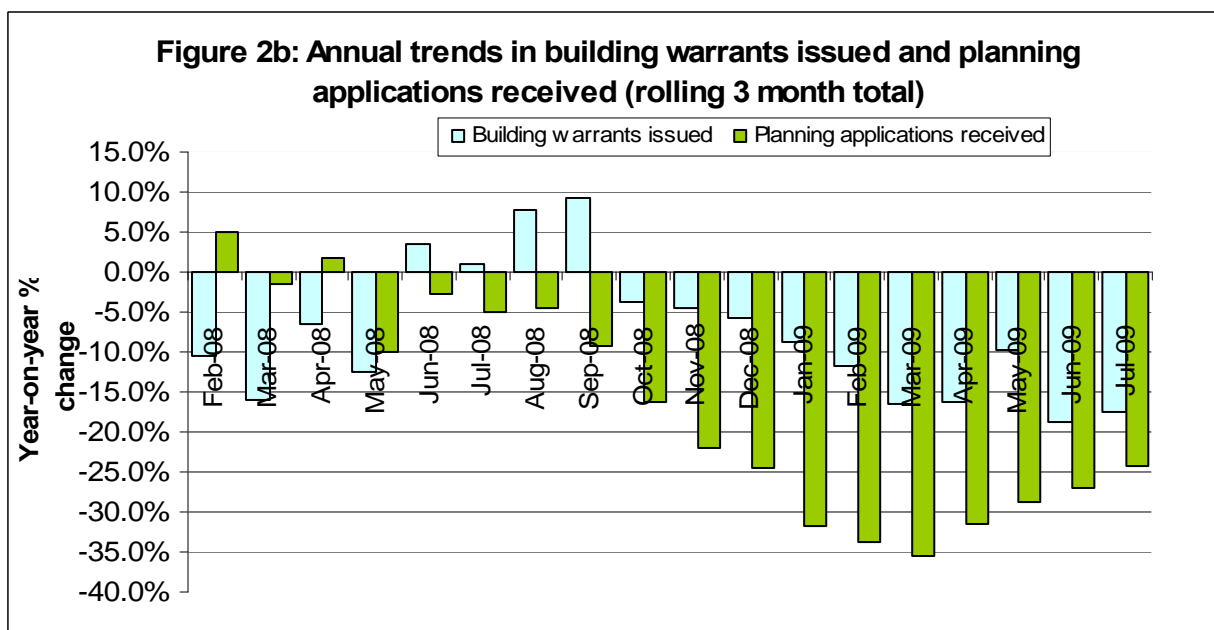


Fig 2b shows that both building warrants issued and planning applications received are down by 17.6% and 21.2% on last year respectively. However, it is encouraging that the rate of decline for planning applications received has been slowing since March.



For more further information on planning issues in Edinburgh, see the latest [Planning News](#)

⁵ Source: City of Edinburgh Council, Planning Information team

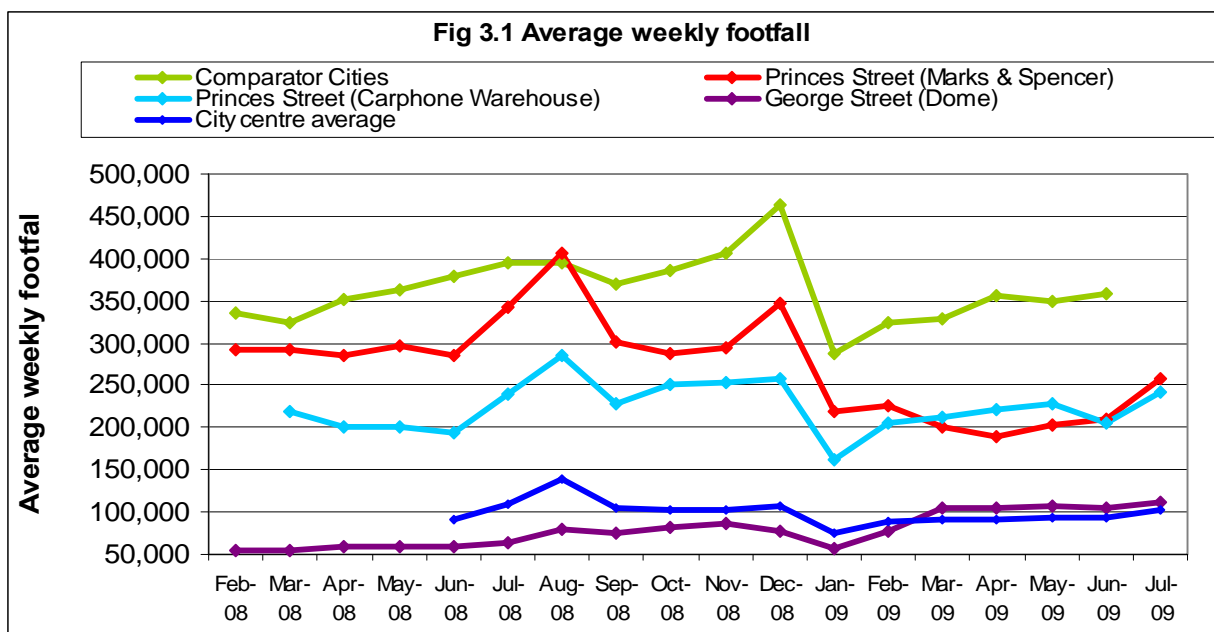
⁶ Ibid.

(3) City centre performance

3.1 Footfall (Monthly Trend ▲; Annual Trend ▼; Comparison with other cities —)

Fig 3.1 summarises data from automated footfall counters in the city centre. Average city centre footfall followed seasonal expectations, growing by 11.0% from June to July. Although Edinburgh's footfall is lower than the comparator cities' average⁷, it is worth noting that this group includes much larger city centres including as London and Birmingham.

Compared with July 2009, average city centre footfall⁸ was down by 5.9% - the same decline as in comparator cities. Within the city, footfall was 1.2% up at Carphone Warehouse, but 23.8% down at Marks & Spencer. Much of the decline outside Marks & Spencer is due to bus diversions introduced in mid-February moving pedestrians from Princes Street to George Street. This is confirmed by the rapid increase in footfall outside The Dome (up 79.5%). The Carphone Warehouse counter is less affected as the East End of Princes Street remains open to traffic.



For more detailed information on city centre trends, see the latest [City Centre Health Watch](#)

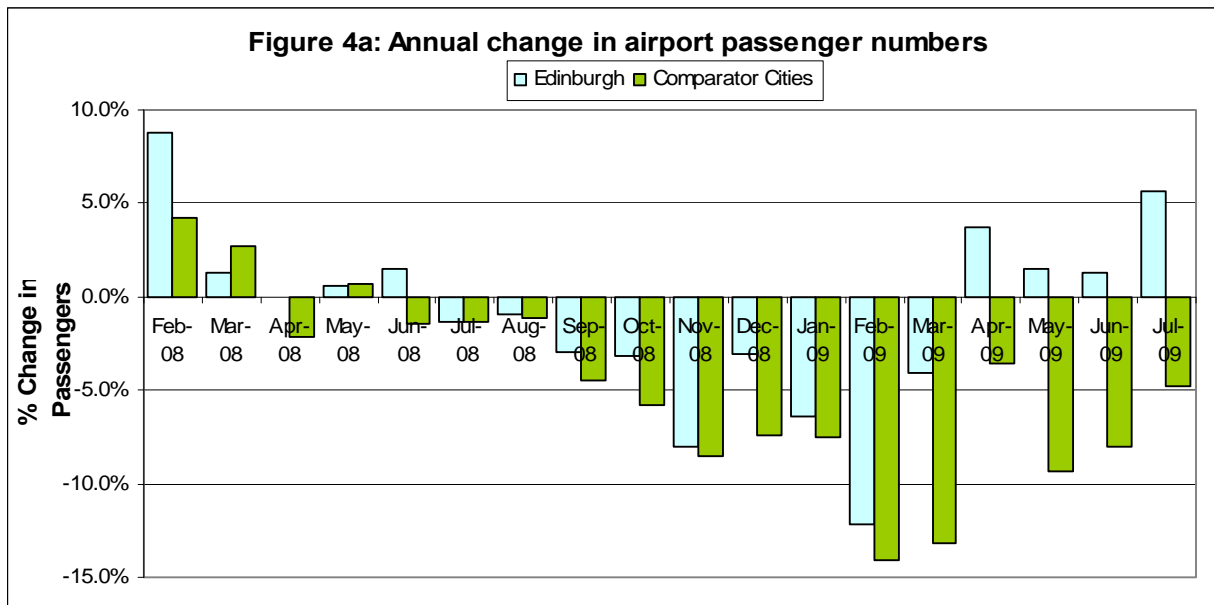
⁷ Source: Springboard. The comparator cities figure is an average of footfall count at the busiest locations in Birmingham, Bristol, Cardiff, Dublin, Edinburgh, Glasgow, Leeds, London, Liverpool, Manchester, Newcastle, Norwich and Nottingham.

⁸ An average of weekly footfall at the following locations: George Street (Rohan, Whistles, Dome), St Andrew Square (Harvey Nichols), Princes Street (Carphone Warehouse, Marks & Spencer, Next, Frasers), Rose Street (Black & Lizars), Shandwick Place (Lothian Buses, Specsavers), Lothian Road (Black & Lizars, Pizza Hut), High Street (Radisson, Bella Italia) and South Bridge (Offbeat Clothing).

(4) Tourism

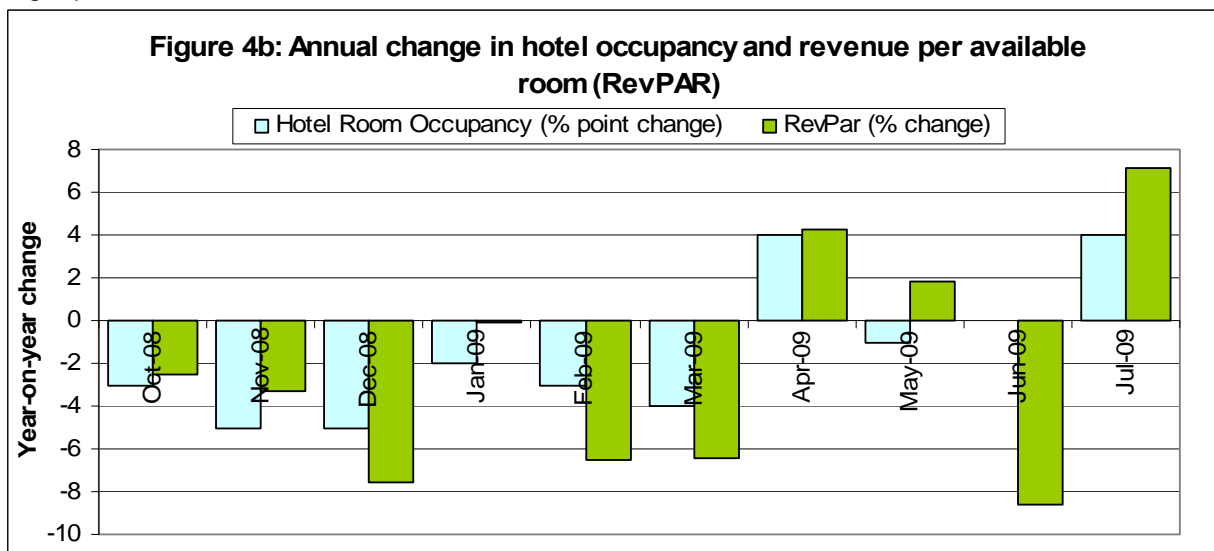
4.1 Airport (Monthly Trend ▲; Annual Trend ▲; Relative to Comparator Cities ▲)

Fig 4a shows that Edinburgh Airport has bucked the trend of comparator airports with passenger numbers higher than last year for the past four consecutive months.⁹ These trends reflect a rise in international traffic, which is up on last year following the launch of range of new direct flights in early 2009, and explain why the summer month of July saw a 5.6% annual increase in passenger traffic.¹⁰ Edinburgh airport is now the fastest-growing airport in the UK.¹¹



4.2 Hotels (Monthly Trend ▲; Annual Trend ▲)

Fig 4b shows that the first month of the summer was very positive for Edinburgh's hotels. Room occupancy was up by four percentage points on last year to 87%, allowing hoteliers to increase prices. The average revenue per available room (RevPAR) rose by 7.1% to £75.84¹². Bed occupancy was up by 10 percentage points, which may be an indication of a rise in domestic visitors who tend to travel in larger parties.¹³



⁹ Source: Civil Aviation Authority. The comparator cities figure is an average of year-on-year changes in passenger numbers at Birmingham, Bristol, Cardiff, Gatwick, Heathrow, Leeds, London City, Luton, Manchester, Newcastle and Stansted airports.

¹⁰ Source: BAA Edinburgh

¹¹ http://news.bbc.co.uk/1/hi/scotland/edinburgh_and_east/8211525.stm

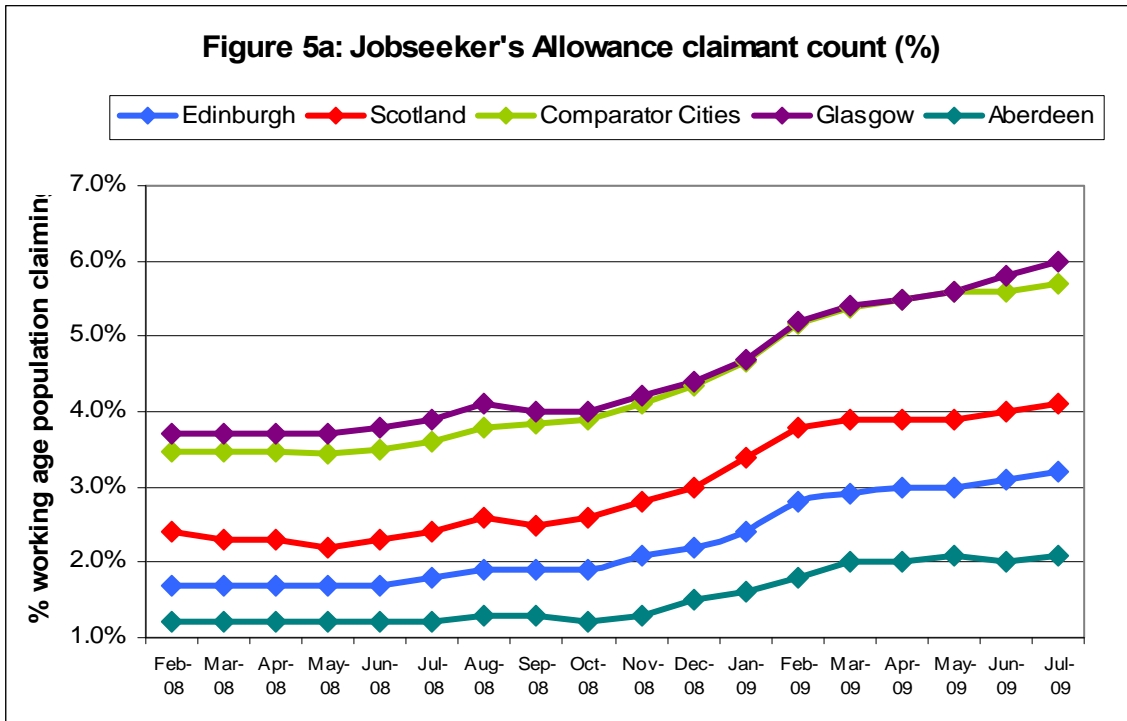
¹² Source: Lynn Jones Research

¹³ Ibid.

(5) Labour market

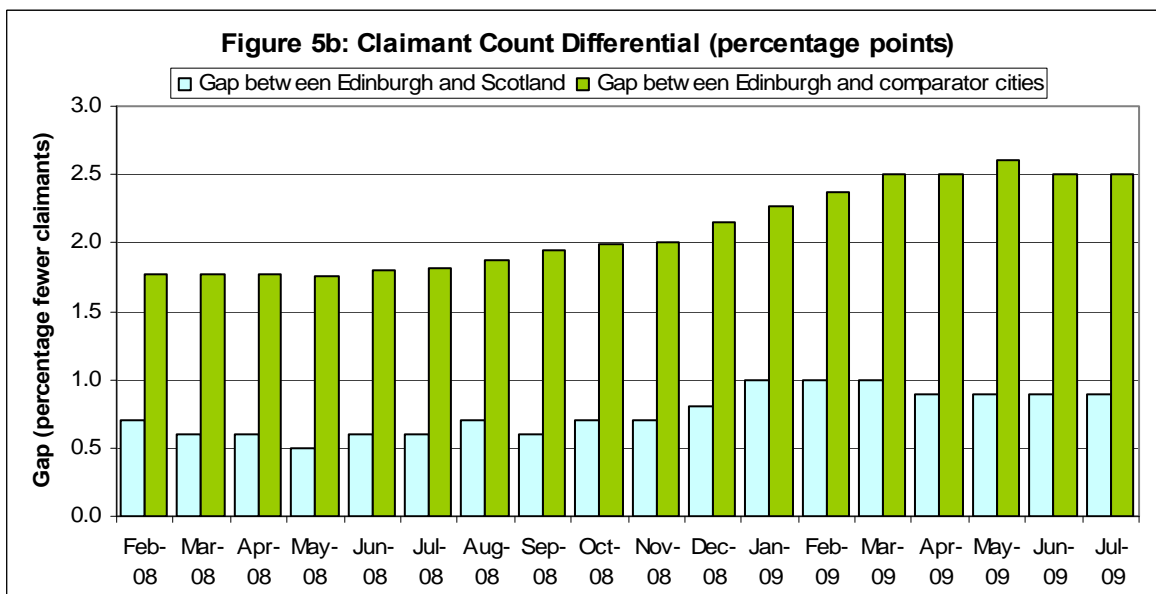
5.1 Unemployment Rate (Monthly Trend ▲; Annual Trend ▲; Relative to Comparator Cities ▼)

Unemployment, defined as the number of Jobseeker's Allowance claimants expressed as a percentage of the working age population, rose to 3.2% in July – its highest rate since August 1999. This follows Scottish and comparator city trends, so Edinburgh's rate remains favourable compared with the Scottish rate of 4.1% and the comparator cities' average of 5.7%.¹⁴



5.2 Claimant Differential (Monthly Trend —; Annual Trend ▲)

Fig 5b shows that the positive differential in unemployment between Edinburgh and comparator cities remains large.¹⁵ In July, Edinburgh's claimant count remained 0.9 percentage points below the Scottish average and 2.5 percentage points below that of comparator cities.

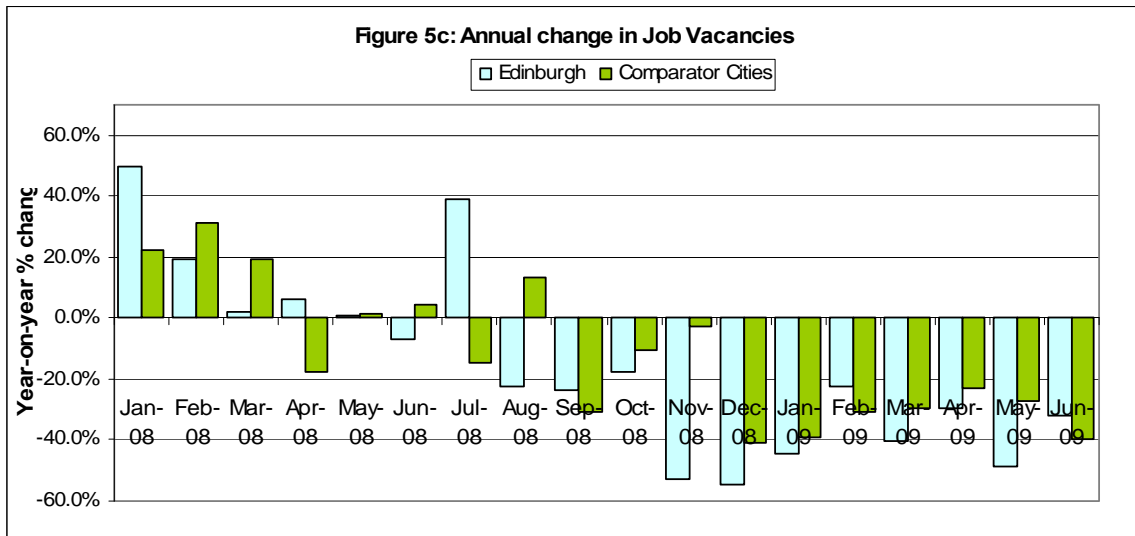


¹⁴ Source: Department for Work and Pensions. The unemployment rate is defined as the percentage of the working age population claiming Jobseeker's Allowance. The comparator cities figure is an average of claimant counts in Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle and Nottingham.

¹⁵ Ibid.

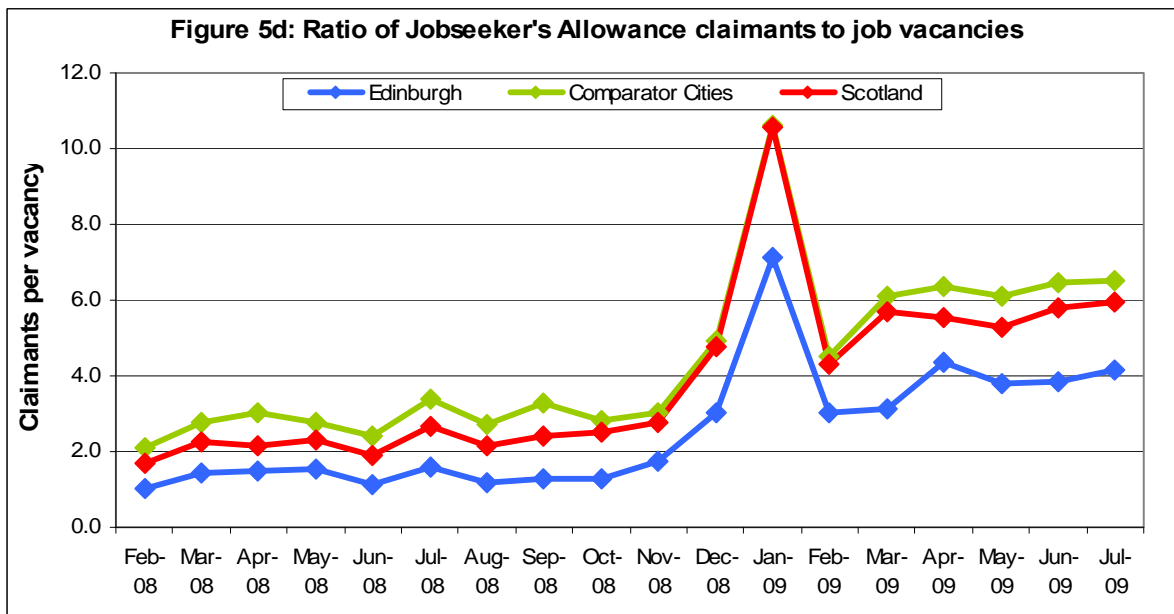
5.3 Job Vacancies (Monthly Trend ▼ ; Annual Trend ▼)

Fig 5c shows that the number of job vacancies posted by Jobcentre Plus continues to fall at a similar rate to comparator cities. In July 2009, there were 2,408 job vacancies advertised in Edinburgh – a 48.6% annual decrease.¹⁶



5.4 Vacancy Ratio (Monthly Trend ▲ ; Annual Trend ▲ ; Relative to Comparator Cities ▼)

Fig 5d shows that the number of Jobseeker’s Allowance claimants per vacancy advertised by Jobcentre Plus has remained relatively steady since April. In July 2009 there were 4.2 claimants per vacancy, compared with 6.0 in Scotland and 6.5 in comparator cities. Edinburgh continues to compare favourably suggesting that it may be easier to find a job if unemployed in the capital.¹⁷



5.5 Forecast

The decline in the labour market continues, with both unemployment and job vacancies rising. As unemployment is a lagging indicator, this likely to continue to carry on for some time, even if other areas of the economy recover. There may also be a second wave of large scale job losses to come as the public sector comes under pressure to make savings.¹⁸

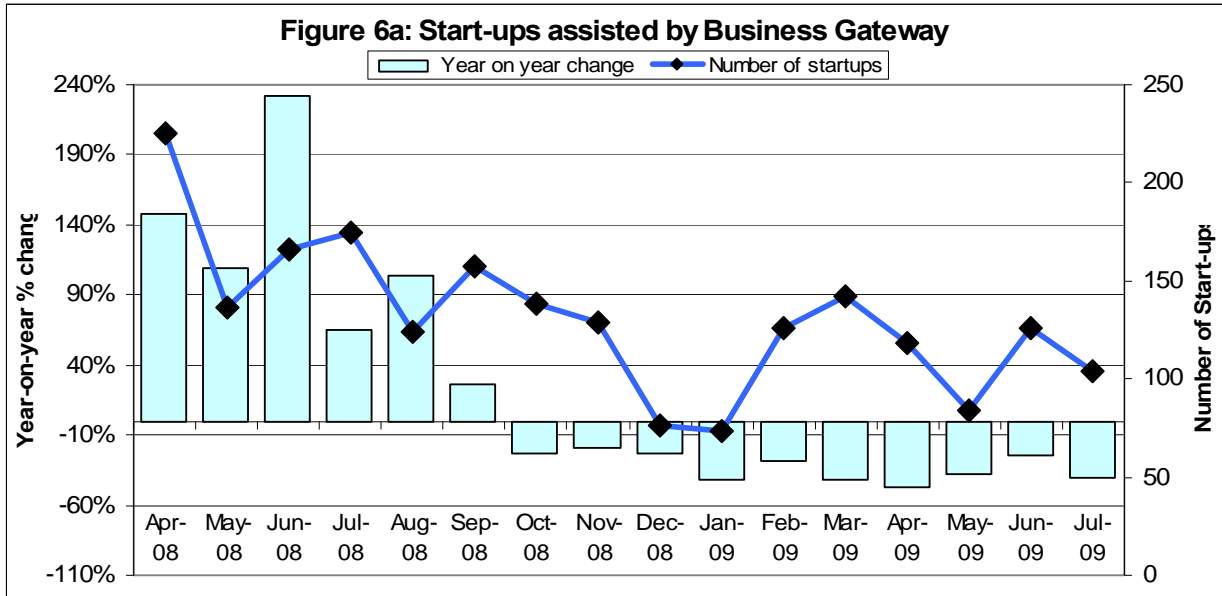
For more detailed information on Edinburgh’s Labour Market see the latest [Labour Market Bulletin](#). Monthly updates of key labour statistics are available [here](#).

¹⁶ Ibid
¹⁷ Ibid
¹⁸ Ernst & Young ITEM club summer update, 2009

(6) Investment

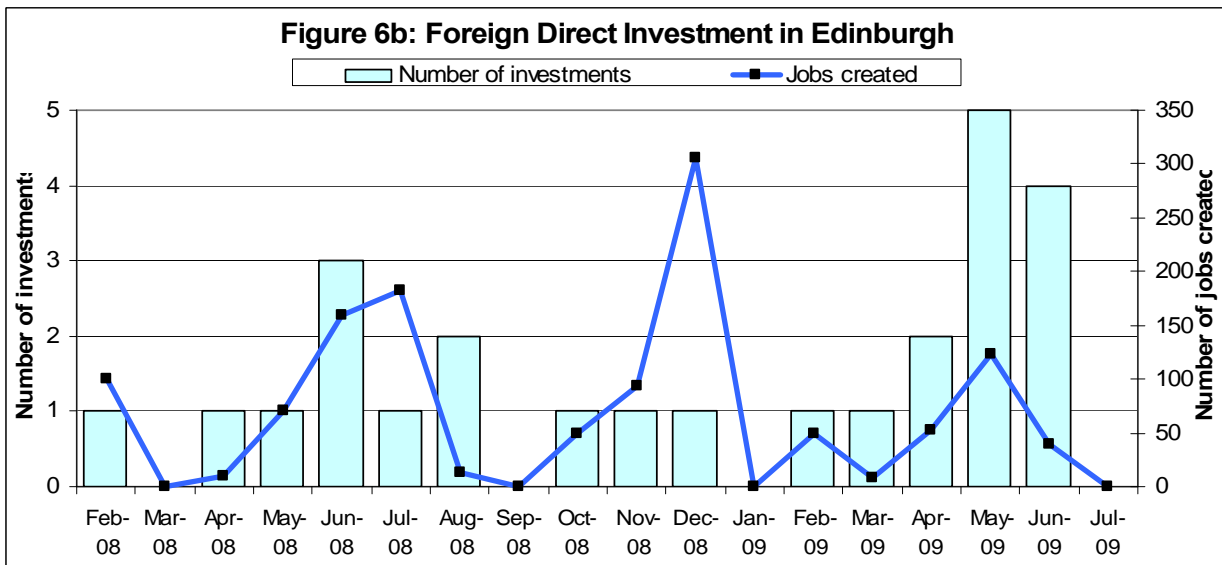
6.1 Business Gateway Start-ups (Monthly Trend ▼ ; Annual Trend ▼)

The number of start-ups assisted by the Business Gateway has fallen compared with the previous year for the past ten months running. This continuing trend may indicate that entrepreneurs are still having difficulties accessing finance from banks. In July 2009, the Business Gateway assisted 104 start-ups, compared with 183 in July 2008 – a 43.2% fall.¹⁹ However, it is worth noting that figures for 2009 are similar to those of two years ago, suggesting that 2008 may have been an unusually successful year.



6.2 Foreign Direct Investment

Fig 6b shows that the number of known jobs estimated to have been created from Foreign Direct Investments (FDI), as recorded by the FDI Markets database amounted to 734 in the past twelve months.²⁰



¹⁹ Source: Business Gateway

²⁰ Source: FDI Markets. NB Figures are provisional and subject to change. Figures are often added to the database retrospectively.

6.3 New Incorporations (Monthly Trend ▲; Annual Trend ▲; Relative to Comparator Cities ▲)

Fig 6c shows that new incorporations in July rose by more in Edinburgh than in comparator cities.²¹

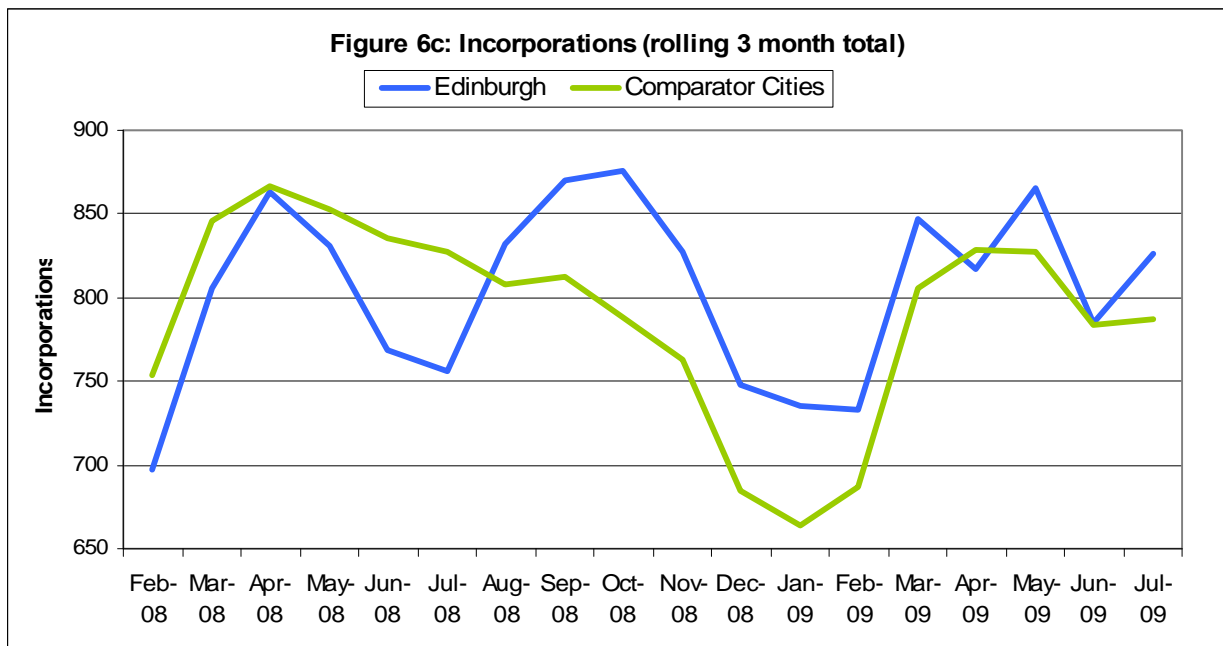
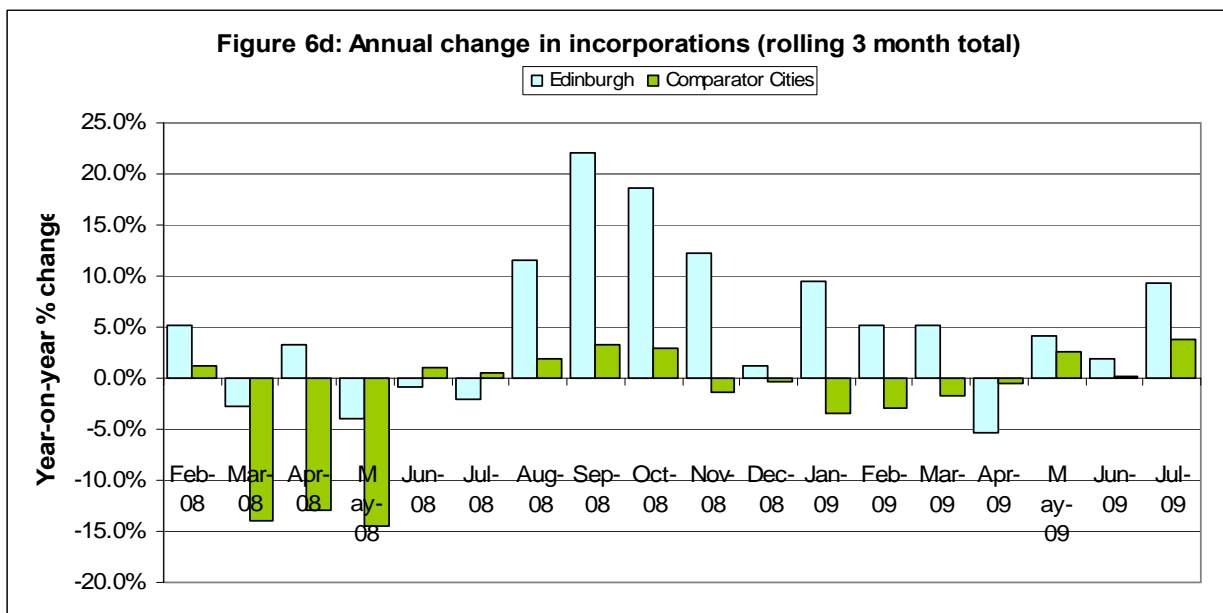


Fig 6d shows that for the past 18 months, the number of incorporations has generally been rising faster in Edinburgh than in comparator cities. This may be an indication that Edinburgh is a more entrepreneurial city as its residents are more likely to start up businesses during an economic slowdown.²²



²¹ Source: FAME. The comparator cities figure is an average of the monthly number of incorporations in Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle, Norwich and Nottingham.

²² Ibid.

(7) Forecasts

This section summarises and links to some economic forecasts to have emerged in August:

KPMG Business Outlook Survey (27 August)

The survey found a strong rebound in confidence amongst UK manufacturers following the dramatic deterioration recorded in the previous two surveys. Activity, new business and profits are all forecast to increase sharply over the coming twelve months and grow robustly by mid-2010

More info: <http://www.kpmg.eu/headlines/7116.htm>

Institute of Chartered Accountants in England and Wales (ICAEW) (24 August)

Optimism among professionals in the third quarter has hit its highest level since the start of the financial crisis two years ago. The confidence measure jumped to 4.8 at the end of June from -28.2 in March. IT was the most optimistic sector, followed by banking, finance and insurance firms. Health and education professionals were the least confident amid growing fears of cuts in the public sector.

More info: <http://www.guardian.co.uk/business/2009/aug/24/uk-recession-over-survey-suggests>

Bank of England (12 August)

The Bank of England revealed that the recession had struck harder than previously thought but said the prospects for economic recovery were "somewhat stronger". The Bank revised its forecasts and expects the economy to shrink by around 5.5% at the lowest point this year before beginning its recovery.

More info: <http://news.uk.msn.com/uk/article.aspx?cp-documentid=149136556>

Cambridge Econometrics (4 August)

The ongoing crisis has had varying effects upon UK cities, and the speed of recovery is expected to vary significantly between them. In the UK, a strong recovery is expected in Belfast, which has a strong market services sector that is not reliant on financial and other business services and Bristol, which is strong in high-tech manufacturing industries such as aerospace and defence. London will recover more slowly, as it will need high levels of spending from high earners in the financial sector to stimulate growth. Edinburgh has better prospects than London. It has suffered less severely so far, primarily due to the more robust nature of its market services. The city region is not as exposed to the financial services sector as London, and is not as dependent upon the sector as a driver of growth.

More info: http://www.camecon.com/press_releases/erp.htm

HM Treasury Forecast (August)

HM Treasury grouped together a range of forecasts for 2009 and 2010 and found that the average was a 4.3% decline for 2009 and a 1.0% growth for 2010. This is a 0.2 higher decline than it originally forecast in July for 2009 but also a 0.1% higher recovery for 2010.

More info: <http://www.hm-treasury.gov.uk/d/200908forcomp.pdf>

(8) Presswatch

UK economy shrinks less than feared

The Guardian 28 August

<http://www.guardian.co.uk/business/2009/aug/28/uk-recession-gdp-revision>

Falling prices hit the service sector but optimism on the up says CBI

The Scotsman 24 August

<http://business.scotsman.com/business/Falling-prices-hit-the-service.5580346.jp>

Space in demand – but top-end rents down

The Scotsman 25 August

<http://business.scotsman.com/industry/Space-in-demand--but.5583112.jp>

Edinburgh hotels lead the way as occupancy rates rise

The Herald 21 August

http://www.theherald.co.uk/business/news/display.var.2526643.0.Edinburgh_hotels_lead_the_way_as_occupancy_rates_rise.php

UK retail sales grow despite recession

The Herald 21 August

http://www.theherald.co.uk/business/news/display.var.2526679.0.UK_retail_sales_grow_despite_recession.php

Seven losing jobs every day outwith city financial sector

The Scotsman 19 August

<http://edinburghnews.scotsman.com/topstories/Seven-losing-jobs-every-day.5566586.jp>

Economic downturn hits Scots the hardest

Edinburgh Evening News 15 August

<http://business.scotsman.com/personal-finance/Economic-downturn-hits-Scots-the.5556820.jp>

France and Germany exit recession

BBC News 13 August

<http://news.bbc.co.uk/1/hi/business/8198766.stm>

Boost as Scottish economy returns to growth

The Herald 10 August

http://www.theherald.co.uk/business/news/display.var.2524677.0.Boost_as_Scottish_economy_returns_to_growth.php

Extra £50bn pumped into economy

BBC News 6 August

<http://news.bbc.co.uk/1/hi/business/8187360.stm>

Light at the end of the recession tunnel

The Scotsman 4 August

<http://thescoatsman.scotsman.com/latestnews/Light-at-the-end-of.5519568.jp>

City home sales show a rise

Edinburgh Evening News 4 August

<http://edinburghnews.scotsman.com/latestnews/City-home-sales-show-a.5520554.jp>

Signs of light for SME sector

The Herald 3 August

http://www.theherald.co.uk/business/news/display.var.2523525.0.Signs_of_light_for_SME_sector.php

Andrew Wilson: History can't help an economy in uncharted waters

The Scotsman 2 August

<http://business.scotsman.com/personal-finance/Andrew-Wilson-History-can39t-help.5515462.jp>

(9) Useful Links

Council Information

The statistics presented in the Economy Watch represent only a sample of the total number of economic indicators which are monitored by the Council. Raw figures, supporting data and detailed source information are available on request.

You can find more useful economic information at www.edinburgh.gov.uk/economicdata

The [Edinburgh Resilience Action Plan](#) provides a plan of action to address the economic challenges facing the City of Edinburgh and the wider city region as a result of the current adverse economic climate.

For advice and links to services to help you cope with the economic downturn, see the [Building a Stronger Economy](#) website.

External Links

Office of National Statistics indicators (UK Level)

<http://www.statistics.gov.uk/instantfigures.asp>

Scottish Parliament Information Centre Economic Briefings (Scottish Local Authority Level)

<http://www.scottish.parliament.uk/business/research/subject/EcoFin.htm>

PKF hotel statistics (UK Level)

http://www.pkf.co.uk/news/Hotel_Monthly_Press_Release&category=News%20%5E%20views&subcategory=News&gobackto=4

Animated map of Unemployment Growth across the UK (UK Local Authority Level)

<http://www.statistics.gov.uk/lm-interactive/percent-wap-ja.asp>.

Recession and Recovery: UK Case Studies (The Work Foundation)

http://www.theworkfoundation.com/Assets/Docs/UK_recession_recovery_%20case_studies.pdf